

ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
SOUTHWEST GAS CORPORATION FOR
APPROVAL OF AN ENERGY EFFICIENCY
AND RENEWABLE ENERGY RESOURCE
TECHNOLOGY PORTFOLIO IMPLEMEN-
TATION PLAN, AND FOR APPROVAL TO
REVISE THE RATE COLLECTED
THROUGH ITS DEMAND-SIDE
MANAGEMENT ADJUSTOR MECHANISM.

Docket No. G-01551A-11-0344

Arizona Corporation Commission

DOCKETED

MAY 18 2012

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LM

NOTICE OF ERRATA

RUCO wishes to make the following correction to the portion of its April 23, 2012 filing repeated below:

"RUCO is concerned with SW Gas's request to increase its EE budget to \$16.5 million. This is a 300% increase over current spending of \$4.8 million.

SW Gas's EE program budget has expenditures have grown steadily over the last several years.¹"

EXPLANATION OF CORRECTION

Until recently, SW Gas DSM spending did not match its approved budget.

¹ Data taken from SW Gas Application to Revise its EE and LIRA Rates (Docket No. G-01551A-12-0037, p. 4)

1 For example, in 2008 the Commission approved a \$3,160,000 budget but SW Gas spent
2 only \$939,293.

3 SW Gas has made the following expenditures for its DSM programs from 2007
4 through 2011:

5	2007	\$1,028,519	(Dec. No. 70959, FoF 8)
6	2008	\$939,293	(Dec. No. 70959, FoF 8)
7	2009	\$1,405,762	(SW Gas DSM Application, Docket No. 8 G-01551A-12-0037, p. 4, See also 9 Dec. No. 72257 FoF 13)
10	2010	\$1,408,190	(SW Gas DSM Application, Docket No. 11 G-01551-12-0037, p. 4, See also 12 Dec. No 72257 FoF 13)
13	2011	\$4,800,000	(Dec. No. 72257, FoF 8)

14 The Commission approved a 2008 DSM budget of \$3,160,000² and a 2009 DSM
15 budget of \$4.4 million.³ Furthermore, the Commission anticipated increasing the DSM
16 budget by \$1 million each year until reaching \$7.4 million in 2012.⁴ In 2008 and 2009, the
17 Commission set the DSM adjustor rate to collect sufficient revenues to match these
18 budgets. However, the Commission quickly reduced SW Gas's 2009 DSM budget to
19 \$1.25 million because historical spending was well below the approved budget.⁵ The large
20 difference between the DSM budgets and DSM spending resulted in a sizeable surplus of
21 ratepayer supplied funds in the SW Gas DSM bank balance which still exists today. In

22 ² Decision No. 70959, FoF 7

23 ³ Decision No. 70665, pp. 48-49

24 ⁴ Id.

⁵ Dec. No. 70959, FoF 8 ("Southwest's actual spending on DSM programs in 2008 was well below the budgets approved by the Commission for most of Southwest's DSM programs. Thus, it is doubtful that Southwest's projection of spending the full \$4.4 million will come to fruition in 2009.")

1 2011, SW Gas's expenditure of \$4.8 million largely matched the Commission-approved
2 budget of \$4.7 million. (Dec. No. 72257, FoF 8).

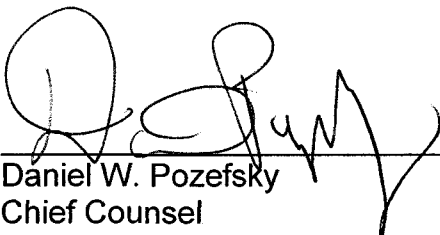
3
4 **RUCO'S CONCERN FOR THE REQUESTED \$16.5 MILLION EE BUDGET REMAINS**

5 RUCO continues to assert that SW Gas's request to increase its Energy Efficiency
6 budget to \$16.5 million in order to reduce sales by 1.20% is unwarranted. SW Gas's
7 sworn testimony shows a 46.4% decline in August per customer consumption over the last
8 24 years. This decline has been steady and continuous throughout the years. (See
9 Attachment A) SW Gas anticipates continued decline separate and apart from any EE
10 programs. RUCO questions whether ratepayer funds are being used to achieve results
11 that are happening independently from the utility's EE programs. And to jump from a \$4.7
12 million budget to \$16.5 million concerns us.

13 A copy of RUCO's original April 23, 2012 filing is attached as a convenience as
14 Attachment B.

15 Finally, RUCO supports the Pierce Amendment #1 docketed April 24, 2012.

16
17 RESPECTFULLY SUBMITTED this 18th day of May, 2012.

18
19 
20 Daniel W. Pozefsky
21 Chief Counsel
22
23
24

1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 18th day
3 of May, 2012 with:

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8 COPIES of the foregoing hand delivered/
9 mailed this 18th day of May, 2012 to:

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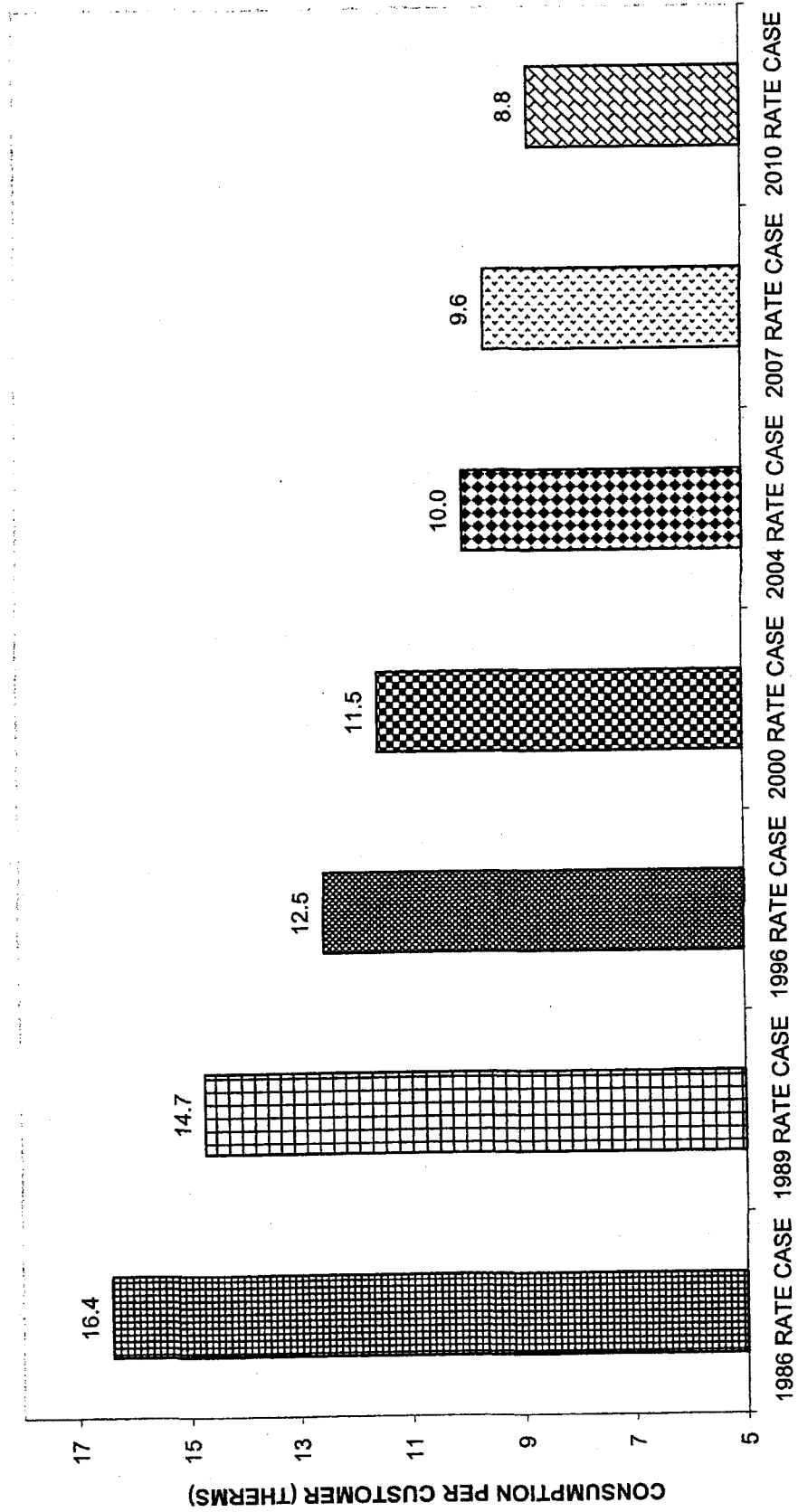
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By 
Cheryl Fraulob

ATTACHMENT A

ARIZONA
RESIDENTIAL GAS SERVICE (G-5 & G-6)
AUGUST RATE CASE CONSUMPTION PER CUSTOMER
1986 - 2010



1 an approximate decline of 12 therms per year between Southwest Gas's
2 2007 and 2010 rate cases. The declines in annual residential consumption
3 per customer utilized in Southwest Gas's general rate case proceedings
4 between 1986 and 2010 are graphically presented in Exhibit No.__(JLC-2).

5 Q. 25 What has been the trend in residential baseload consumption per customer
6 over the last 24 years?

7 A. 25 Between Southwest Gas's 1986 rate case and the current case, August
8 consumption per customer has declined from 16.4 therms to 8.8 therms,
9 respectively. This is a decline of 7.6 therms or 46.4 percent. The month of
10 August is the ideal month to isolate the trend in baseload consumption (e.g.
11 water heating, clothes drying, cooking) per customer since both Phoenix and
12 Tucson experience zero heating degree days during the month. August
13 consumption per customer has dropped eight-tenths of a therm or 8 percent
14 since the 2007 rate case. The significant downward trend in August
15 consumption per customer is graphically depicted in attached Exhibit
16 No.__(JLC-3). This data suggests that declining residential consumption per
17 customer is occurring with both space heating (seasonal) and baseload
18 consumption.

19 Q. 26 What are the primary reasons for the long-term downward trend in residential
20 consumption per customer over the last 24 years?

21 A. 26 The significant long-term decline in residential consumption per customer
22 occurred primarily because of continued improvements in the dwelling and
23 appliance efficiencies of Southwest Gas's customer base. Improvements in
24 energy efficiencies over the past 24 years are reflected in both new customer
25 growth and the replacement, by existing customers, of older appliances with
26 newer, more efficient appliances. Therefore, the improved energy efficiencies
27 of natural gas appliances and dwellings for both new customer additions and

1 existing customers contributed to the overall decline in residential
2 consumption per customer.

3 **V. FUTURE TREND IN RESIDENTIAL CONSUMPTION PER CUSTOMER IN ARIZONA**

4 Q. 27 What is your expectation regarding future declines in residential consumption
5 per customer?

6 A. 27 I expect that residential consumption per customer will continue to decline.
7 The continued emphasis on energy conservation to reduce energy
8 expenditures and greenhouse gas emissions makes this a plausible scenario.
9 Indeed, the Commission's recently approved gas energy efficiency standard
10 will be another factor putting increased downward pressure on consumption
11 per customer in the future.

12 Q. 28 Has Southwest Gas included a proposal in this case to mitigate the adverse
13 impact on its margin recovery associated with the anticipated continued
14 downward pressure on consumption per customer?

15 A. 28 Yes. Southwest Gas has requested implementation of a revenue decoupling
16 proposal to mitigate the adverse impact on its margin recovery due to the
17 expected continued decline in consumption per customer, and the additional
18 downward pressure on consumption per customer resulting from the
19 Company's efforts to achieve the Commission's recently approved gas
20 energy efficiency standard. Please refer to Company witnesses Edward
21 Giesecking and Bobbi Sterrett for additional information regarding the
22 Company's revenue decoupling proposal and compliance with the energy
23 efficiency standard, respectively.

24 Q. 29 Does this conclude your prepared direct testimony?

25 A. 29 Yes.
26
27

ATTACHMENT B